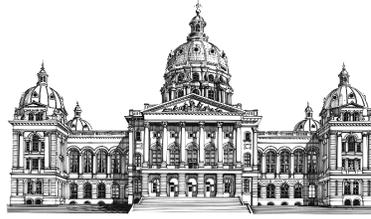


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# Iowa Legislative Fiscal Bureau

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## State Assistance And Tax Credits Related to Education

### ISSUE

A descriptive report on State assistance and tax credits related to nonpublic schools and other private educational institutions and a listing of other states' activities.

### AFFECTED AGENCIES

Department of Education (DE)  
College Student Aid Commission  
Department of Revenue and Finance  
Private institutions of higher education in Iowa

### BACKGROUND

The State of Iowa has traditionally provided incentives to nonpublic schools and institutions of higher education. These incentives include:

- Tuition Grants - Due to previously increasing enrollments at the State Universities, the Tuition Grant Program was instituted to relieve the burden on institutions of higher education and provide students who may attend private institutions with financial assistance to balance the student aid in the form of State appropriations to Regents Institutions. This appropriation goes to the institution for use by the student.
- Osteopathic Program - Due to the need of additional physicians, assistance to the University of Osteopathic Medicine and Health Sciences (UOMHS) was instituted to relieve the burden on the University of Iowa College of Medicine. There are 2 types of programs.
  - Reduction in tuition of Iowa residents at UOMHS.
  - A Subvention Program used to guarantee admissions of Iowa students.
- Workstudy Program - 26.7% of the Workstudy Program appropriation goes to private institutions, nursing schools, and business schools.
- Iowa Grant Program - 36.5% of the Iowa Grant Program appropriation goes to private institutions. This appropriation goes into the general financial assistance program of the institution.

- State Scholarship Program - Assistance is provided to private institutions through the State Scholarship Program. The school in which the student is enrolled receives the funds.
- Transportation Program - Public school districts are required to provide transportation assistance for resident students attending nonpublic schools on the same basis as provided for resident public school students. Public schools are responsible for filing nonpublic transportation reimbursement claim forms with the DE. Public school district boards of education in which nonpublic students reside have sole responsibility for deciding how districts will meet nonpublic transportation obligations. Public school districts may meet these obligations by 1 or more of the following:
  - Transportation by public school buses.
  - Contracting with private parties, other public school districts, or a nonpublic school.
  - Utilizing a parent reimbursement option.
- Textbook Program - Textbooks purchased by a public school district are required to be made available to nonpublic schools to the extent funds are appropriated by the General Assembly. Claims are prorated if the appropriation is insufficient. The difference between the claim and the amount received is the responsibility of the pupil. The public
- School district of attendance is required to furnish the service and receive reimbursement from the State. The service must be comparable to service of the district of attendance and cannot exceed the per pupil cost of the program of the district of attendance. The definition of textbooks was expanded in the 1993 Legislative Session to include books, book substitutes, including reusable workbooks, loose-leaf or bound manuals, and computer software materials used as book substitutes.
- School Food Service Program - Section 283A.10A, Code of Iowa, requires the DE to direct the disbursement of State funds to nonpublic schools for school lunch programs in the same manner as funds are disbursed to public schools. Participation in the federally funded National School Lunch Program requires the State to appropriate a matching requirement. This appropriation was \$2.9 million in FY 1992. The appropriation is distributed to school districts and nonpublic schools based on an estimated per-meal basis. School districts received approximately \$0.05 per meal from State funds in FY 1992. Nonpublic schools also received approximately \$0.05 per meal from State funds. The total amount nonpublic schools received of the \$2.9 million is unknown.
- Tuition/Textbook Tax Credit - On individual income tax returns, taxpayers may receive either a credit or an itemized deduction for textbook and tuition expenses. Filers who itemize may take a deduction not to exceed \$1,000 per dependent in grades K-12 in Iowa. Filers who take the standard deduction may receive a credit in the amount of 5.0%, up to \$50, for each dependent.

**CURRENT SITUATION/BUDGET IMPACT**

FY 1992  
State Assistance and Tax Credits Related to Nonpublic Schools in Iowa  
(in millions)

Activity	Amount
State Assistance	
Tuition Grants Program	32

Transportation Program	6.9
Textbooks Program	0.6
School Food Service Program	N/A
Iowa Grant Program	0.5
Work Study Program	0.8
Osteopathic Program	0.6
Tax Credits	
Textbook/Tax Credit	0.7

According to the National Conference of State Legislatures (NCSL) the following information was obtained from the American Education Finance Association regarding state assistance and tax credits for K-12 education at nonpublic schools. In some cases, which are noted as "Public and Nonpublic," reference is made to categories of aid where the beneficiaries may be both private and public school pupils. The amount of State aid earmarked for the benefit of pupils attending private or parochial schools was not consistently available from state to state. This review has chosen those states adjacent to Iowa for detail study. The figures are for FY 1991. **Attachment A** is a chart that summarizes the activity for the 50 states.

### Illinois

- Transportation
  - Special Education: \$102.8 million (Public and Nonpublic). The State reimburses 80.0% of allowable costs for preapproved transportation of special education students. Appropriations covered 97.1% of the prior year claims by districts with the individual districts responsible for the difference.
  - Parental Reimbursement: \$13.4 million (Public and Nonpublic). The State pays parental applicants the lesser of cost or the average district reimbursement per pupil (\$128.60) financing regular transportation to public school. Only full-time students under 21 years of age who live at least 1.5 miles from school, or must walk through a safety hazard area, for whom free public transportation is not available, are eligible.
- Special Education Tuition: \$25.5 million (Private). The State provides a maximum of \$4,500 per regular school year to help finance special education at either instate or out-of-state private schools for a child whose needs cannot be met by public schools. The local school district participates in placement decision and is required to cover any tuition cost shortfall.
- Free Breakfast and Lunch Programs: \$13.1 million (Public and Nonpublic). The State reimburses participating public and nonpublic schools a maximum of \$.15 for each free breakfast or lunch served to an eligible student.
- Textbook Loan Program: \$12.5 million (Public and Nonpublic). Upon a request from a parent, the State reimburses a school district or private school for textbooks for any K-12 student enrolled in a public or nonpublic school.

### Minnesota

A total of \$29.0 million was appropriated for FY 1991. The appropriation reflects the combined value of the listed state assistance programs, including tax credits for eligible residents.

- Nonpublic Pupil Aid: The State reimburses school districts for the cost to obtain educational materials or provide support services to a pupil who does not attend a public school (private or home schools). The maximum reimbursement is limited to an amount equal to the statewide average expenditure per pupil in the second prior school year multiplied by the number of nonpublic pupils served by the district.
- Shared Time Program: Nonpublic pupils earn a shared time portion of the general aid for the school district if admitted to public school programs for part of the school day.
- Transportation Program: The State provides school districts aid to help meet the cost of transporting all pupils to school.
- Tobacco Use Prevention Program: Each school district with a tobacco use prevention program is eligible for State aid. The district's funding is increased if the program extends to nonpublic pupils.
- School Lunch and Milk Programs: Nonpublic schools are eligible to receive State money for use to draw federal funds for the subsidized school lunch program. Nonpublic schools may also receive State aid to pay, in part or in total, the cost of serving a 1/2 pint of milk per day to kindergarten students.
- State Income Tax Deductions: Taxpayers who itemize may deduct from gross income the amount spent for tuition, secular textbooks, renting musical instruments, and transporting dependents attending public or nonpublic elementary or secondary schools. The maximum allowable personal income tax deduction is \$650 per dependent in grades K-6 and \$1,000 per dependent in grades 7-12.

#### Missouri

Missouri provides no aid for private or parochial schools. The State Constitution has a restrictive provision in the church/state relationship. A "by pass" is used to funnel Chapter I funds to nonpublic schools.

#### Nebraska

Generally, Nebraska does not provide public funds for nonpublic schools. However, public school districts may loan textbooks to children enrolled in private schools approved by the State Board of Education. For FY 1991, the State made \$154,000 in aid available for this purpose.

#### South Dakota

South Dakota does not provide aid programs for pupils attending nonpublic schools.

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STATES THAT PROVIDE AID OR TAX CREDITS FOR PUPILS ATTENDING NONPUBLIC (PRIVATE/PAROCHIAL) SCHOOLS, 1990-91

State	PIT Credit	Categorical Aid By Type						
		None	Transportation	Tuition	Textbooks	School Meals	Special Ed	Other
Alabama							X	
Alaska		X						
Arizona		X						
Arkansas		X						
California		X						
Colorado		X						
Connecticut			X					health and welfare services
Delaware			X					drivers education
Florida		X						
Georgia		X						
Hawaii		X						
Idaho		X						
Illinois			X		X	X	X	
Indiana					X			beginning teacher Internships
Iowa	X		X		X	X		
Kansas		X						
Kentucky								teacher testing and Internship
Louisiana			X		X	X		select administration costs
Maine				X				cities allowed to raise revenue for private schools which may be matched by the state
Maryland		X						
Massachusetts		X	X					
Michigan *		X						transportation to a public school for auxiliary services; e.g. special education, is the exception
Minnesota	X		X			X		educational materials or support services; tobacco use prevention; part-day public school attendance
Mississippi					X		X	
Missouri *		X						
Montana		X						
Nebraska					X			
Nevada *							X	special education is exempted from constitutional prohibition
New Hampshire		X						
New Jersey			X		X	X		aid for the handicapped; nursing services; other auxiliary services
New Mexico					X			accreditation and licensing services; testing services; handicapped student vouchers
New York			X					testing services; asbestos abatement
North Carolina		X						
North Dakota							X	vocational education
Ohio			X		X			mobile unit repair; regulatory administrative costs
Oklahoma		X						
Oregon		X						
Pennsylvania			X		X		X	vocational education; other auxiliary services
Rhode Island		X						nonpublic pupil counts considered in basic aid allocations
South Carolina		N/A						
South Dakota		X						
Tennessee		X						
Texas		X						
Utah		X						
Vermont				X				
Virginia		X						
Washington		X						
West Virginia		N/A						
Wisconsin			X			X	X	equalization aid may go to a private school if chosen by a low-income pupil in Milwaukee
Wyoming		X						
N =	2	27	12	2	10	8	7	

\* state aid is constitutionally prohibited